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Supreme Court, U.S.
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IN THE

Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF AMICUS CURIAE INTELLECTUAL VENTURES MANAGEMENT LLC IN SUPPORT OF PETITIONER

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INTEREST OF *AMICUS CURIAE*[1]

Amicus Intellectual Ventures Management LLC fosters conception, development and investment in inventions. It therefore relies heavily on the predictability and regularity of the patent laws. Not only do those laws help Intellectual Ventures protect the value of its innovations and investments, but certainty about their application also allows *amicus* to better predict the value of inventions when prosecuting them during the application process, acquiring them from inventors, licensing them to practitioners, and managing its portfolio.

Intellectual Ventures was co-founded by Dr. Nathan Myhrvold, who is also its Chief Executive Officer. Dr. Myhrvold was previously the Chief Technology Officer of Microsoft, and he holds a doctorate in theoretical and mathematical physics and a master's degree in mathematical economics from Princeton University, as well as a master's degree in geophysics and space physics and a bachelor's degree in mathematics from the University of California at Los Angeles. He was a postdoctoral fellow in the quantum physics laboratory of Dr. Stephen Hawking at Cambridge University. And he is a named inventor on hundreds of issued patents.

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[1] The parties have consented to the filing of this brief. No counsel for a party has authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus* or its counsel made a monetary contribution to its preparation or submission.

Intellectual Ventures files for patents on its own inventions, purchases and licenses patents from other inventors, and partners with inventors to help them generate and patent new inventions. Scientists and engineers at Intellectual Ventures invent solutions to some of the world's most pressing problems. In addition to its own inventors, *amicus* has active relationships with hundreds of universities and other institutions around the world, and thousands of active inventors in its international inventor network.

As a respondent in inter partes review proceedings to defend its patent rights, and as a participant in litigation to enforce those rights, *amicus* has a vital interest in the fairness, accuracy, and integrity of the patent adjudication system, including the interaction between IPR and district court proceedings. Since September 2012, when inter partes review petitions could first be filed, Intellectual Ventures' patents have been the subject of 82 separate petitions. This experience has shown that the rules at issue in this case are flawed, and tend to undermine the integrity of not only IPR proceedings, but also the patent adjudication system as a whole.

SUMMARY OF ARGUMENT

There is no denying that the inter partes review (IPR) proceedings that Congress created in the America Invents Act have quickly come to play an enormous role in the patent dispute resolution process. Over 70% of IPR petitions are filed by parties that have already been sued on the relevant patent in district court, and nearly 90% of IPR petitions concern patents that have been asserted in litigation against someone (either the petitioner, or someone else). *See* Saurabh Vishnubhakat et al., *Strategic Decision Making in PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. (forthcoming May 2016) (manuscript at 20 & n.120, 24, 51 fig.15a, 52 fig.15b), http://ssrn.com/abstract=2731002. Because IPR clearly functions in fact as an adjunct to ongoing patent litigation, the rules that govern how IPR proceedings interact with district court cases are now critically important. *See id.* (manuscript at 31). And, broadly speaking, two such rules are at issue here: One concerning whether IPR should use the same claim interpretation as district court litigation; and another concerning whether the limits Congress imposed on the IPR process are enforceable by courts. The experience of *amicus* and others in the IPR system plainly shows that the Federal Circuit has gotten both those questions very wrong—allowing certain parties to game the system in ways that fundamentally undermine the fairness, integrity and accuracy of the patent dispute resolution system as a whole.

As explained below, inventors simply do not have a fair chance to defend even their most meritorious inventions in the system the Federal Circuit has

created—a system that has undermined the integrity of *both* IPR *and* district court litigation. For example, the Federal Circuit's rules create an incentive for parties to bring serial, meritless IPR petitions even where the statute plainly prohibits them, holding up patent owners and slowing litigation down. And the Federal Circuit has likewise undermined the incentive of the litigants to play it straight in federal court patent cases by allowing them to assert different claim interpretations in different forums that apply different standards—encouraging the parties to take extreme positions in district court that will make already difficult cases much, much harder on judges. Nothing requires reading the America Invents Act to entail these destructive results, and the Court would be wise to prevent them.

As Petitioner ably explains, the Federal Circuit is wrong on both questions presented. As to the first, it has wrenched a claim interpretation standard designed to structure the examination dialogue between applicants and the Patent Office out of context in a way that fully defeats its purpose. And as to the second, it has confused a procedural provision about "appealable" orders with a highly disfavored kind of substantive rule that makes certain agency judgments judicially unreviewable. The result is to allow the Patent Trial and Appeal Board (PTAB) to invalidate patents that would manifestly survive district court review, even when specific provisions of the statute prohibit it from doing so. Where Congress created a limited tribunal to help distinguish bad patents from good inventions, the Federal Circuit has created a monster.

This is obviously not what Congress intended, and it is grossly unfair to inventors of all stripes. Under the system created by the Federal Circuit, a patent holder could litigate the validity of her patent all the way to this Court, prevail in a unanimous opinion, and then lose all of her investment in both that litigation and her invention because a random panel of the PTAB unreviewably permits an untimely and illegal IPR, adopting as "reasonable" a claim interpretation already rejected by nine Supreme Court Justices. Congress did not place limits on the PTAB's powers just for fun, nor did it give the PTAB the power to reinterpret the scope of a property right already granted—intentionally *mis*reading it to hypothetically cover prior art that it does not actually cover under binding legal precedent.

This is not just a problem for inventors, however, but also for the federal courts themselves. The difference in claim interpretation standards for IPR and litigation drives a wedge between the two forums, which instead should be able to coordinate in reaching accurate resolutions. Even worse, the inconsistent standards across these two available forums encourages parties to make inconsistent arguments. The Federal Circuit's rule invites parties to argue one claim construction before the PTAB on novelty and obviousness issues and another before the district court on other validity and infringement issues. Beyond injecting confusion and inefficiency into the process, these multiple bites at the claim-construction apple also incentivize parties to argue the most extreme positions, not the correct ones. Patent litigation ordinarily creates a strong incentive for the litigants to play their claim-construction

arguments down the middle. But, under the Federal Circuit's rule, district courts will now be forced to navigate the difficult terrain of patent construction without any trustworthy guides.

The incentives for gamesmanship are even greater under the Federal Circuit's holding that all issues related to the decision to institute an IPR are judicially unreviewable. The Court should be aware that the implications of this rule extend *much* more widely than the particular determination challenged in this case—*i.e.*, whether the PTAB may consider grounds not presented in an IPR petition. Instead, the Federal Circuit has held that virtually all of the statutory requirements for validly bringing a petition for IPR are to be enforced only at the discretion of the PTAB, whose incorrect determinations on even the plainest statutory criteria are beyond judicial review. Such requirements include basic limits on who may file an IPR petition and when they may do so. Under the Federal Circuit's rule, none of those statutory requirements, nor their subsidiary factual or legal issues, are subject to enforcement in any court of law.

This leaves the PTAB alone to give effect to restrictions on institution—a fox-and-henhouse situation that has already begun to loosen the limits Congress imposed. Without the check of judicial oversight, patent challengers have convinced PTAB panels to accept novel theories on issues like privity and joinder to expand the PTAB's ability to institute IPRs. In this version of the IPR system, patent challengers can work with others to evade time limits, hide their privity status, and continuously shop arguments knowing that if any given panel of the PTAB institutes an IPR (it only takes one), the

patent owner has no opportunity to correct an error. This system not only invites departure from the statutory requirements Congress imposed, it also distorts the intended design of a fair and efficient IPR process.

The Court should reject a system in which accused infringers can game the system to prevent patent owners from fairly defending even the best patents. IPR was meant to open an alternative pathway to the accurate resolution of patent disputes, not a gaping loophole that undermines the integrity of *both* administrative and federal court patent adjudications. Rejecting the Federal Circuit's twin errors will cause both processes to work better—separately and together. This Court should reverse.

ARGUMENT

I. The Federal Circuit's Claim Construction Rule Undermines Accuracy And Fairness in Patent Adjudication.

The broadest-reasonable-interpretation standard for claim construction is inconsistent with the adjudicative nature of IPR, as Petitioner explains (at 26-35). Congress designed IPR to serve as a parallel alternative to litigation on certain validity issues, and that is undoubtedly how parties use the process. Applying one claim construction standard in IPR and a different one in litigation ignores both Congress's intent and the reality of how the two processes are actually used.

Most important, the only justification for the broadest-reasonable-interpretation standard is how it structures the dialogue between patent applicants and examiners *in the back and forth of the*

examination process, so that the patent when issued will say what both the inventor and the Patent Office intended. Once the patent issues, however, and a *litigant* is reading that language with the intent of invalidating the patent, the claims should be read to mean what they say—no more, and no less. Any other approach allows the PTAB (and the litigant before it) to invalidate a patent on the basis of prior art that it does not actually cover, a purposeless and nonsensical result.

What is more, this approach completely destabilizes the patent adjudication system. Under the Federal Circuit's rule allowing for different claim construction standards in IPR and litigation, the two forums consistently produce inconsistent results. Moreover, the parties (particularly those challenging the patent) develop a new incentive—previously alien to patent litigation—to adopt extreme positions in district court that can be shifted to the other extreme in IPR. The upshot is a system that is neither accurate nor fair.

A. Because of the difference in standards, IPR and district court litigation often result in different answers to the exact same questions.

The difference in the claim construction standard now governing IPR and district court litigation plainly permits divergent outcomes between the two forums on the same question—and it is producing such outcomes in fact. Unsurprisingly, even the brief experience already available confirms that the broadest-reasonable-interpretation standard results

in broader claim constructions and higher rates of patent invalidation in IPR.

Examples abound of courts and PTAB panels construing the same patent claim very differently. In one recent case, the Federal Circuit reviewed a PTAB decision invalidating several patent claims after construing the claim term "continuity member" so that it did not require continuous contact. *PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*, Nos. 2015–1361, 2015–1369, 2015–1366, 2015–1368, 2016 WL 692368, at *5 (Fed. Cir. Feb. 22, 2016). Reviewing that claim construction *de novo*, the Federal Circuit concluded that "the Board's construction is *not the correct construction*," explaining that dictionary definitions and multiple passages of the patent specification mandated an additional claim requirement that the PTAB did not impose. *Id.* (emphasis added). Nevertheless, the court—applying the broadest-reasonable-interpretation standard under the decision below—upheld the broader claim construction because "the Board's construction [wa]s not unreasonable." *Id.* Put otherwise, the Federal Circuit expressly held that if this same issue had arisen in district court, the same grant of legal rights in the same patent would have meant something different. But it nonetheless concluded that it could not reverse the contrary decision of the PTAB.

Other cases likewise demonstrate that, unsurprisingly, the difference in claim construction standards results in broader constructions in IPRs than in court proceedings. *See, e.g.*, *SurfCast, Inc. v. Microsoft Corp.*, 6 F. Supp. 3d 136 (D. Me. 2014) (rejecting the broad claim construction of the term

"tile" from the PTAB's institution decision and imposing an additional claim requirement—which the PTAB in turn rejected in its final written decision, Final Written Decision at 10, *Microsoft Corp. v. SurfCast, Inc.*, Nos. IPR2013-00292, IPR2013-00293, IPR2013-00294, IPR2013-00295 (P.T.A.B. Oct. 14, 2014)); *ContentGuard Holdings, Inc. v. Amazon.com, Inc.*, No. 2:13-CV-1112-JRG, 2015 WL 1289321, at *32-33 (E.D. Tex. Mar. 20, 2015) (construing the claim term "document platform" to include an additional requirement that the PTAB rejected).

Moreover, these divergent constructions will make the forum choice outcome determinative in countless cases—a fact the Federal Circuit itself has recognized. *See PPC Broadband*, 2016 WL 692368, at *4 ("This case hinges on the claim construction standard applied—a scenario likely to arise with frequency. And in this case, the claim construction standard is outcome determinative."). In one particularly striking example, *Ultratec, Inc. v. CaptionCall LLC*, 611 F. App'x 720 (Fed. Cir. 2015), a jury awarded $44 million in damages, finding that thirteen claims on eight patents were valid and infringed. *Id.* at 720. The PTAB, on the other hand, found all of those claims invalid, forcing the district court to stay the jury verdict until the PTAB decision was appealed. *Id.*[2] Under the district court's

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[2] The Federal Circuit opinion notes that an IPR on one patent was outstanding; ultimately, the PTAB invalidated the claims in question in that proceeding, too. Final Written Decision at 2, *CaptionCall, L.L.C. v. Ultratec, Inc.*, No. IPR2013-00541 (March 3, 2015).

conclusion, the patent owner was entitled to $44 million; under the PTAB's conclusion, the patent owner got nothing—indeed, it lost patent protection for its inventions entirely. This is not a sensible result: A court had concluded that, under the patent laws, the patent was valid and infringed; a valid patent cannot transform into an invalid one *under the same laws* based solely on the forum of review. Of course, it could always be true that one forum was right and the other was wrong, as when this Court overrules another. But it makes no sense to suggest that both were right—that this Schrödinger's cat of a patent was both valid and invalid at the same time—and yet the patent owner as a result still loses the jury verdict it had (correctly) obtained.

To better see the oddity of this result, consider that a patent is a piece of property "aptly likened to the description in a deed, which sets the bounds to the grant which it contains." *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 510 (1917). A piece of land cannot be given different metes and bounds under its deed by two separate government decision-makers at the same time—it cannot be ten acres in county court when it comes to ejecting trespassers, but twenty acres on the same day when the department of revenue comes to assess its taxes. Construing the bounds of a property right to be broader than it actually is, and thereby penalizing it, is ultimately nonsense—just like the revenue department taxing ten extra acres of land on which (everyone else agrees) the property owner has no ownership rights at all. A patent is a fixed grant of legal rights; the whole point of this Court's path-marking decision in *Markman* (making claim

construction a legal issue for courts, rather than a factual issue for juries) was to eliminate uncertainty and achieve "uniformity in the treatment of a given patent." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996). Even brief experience shows that the broadest-reasonable-interpretation standard has led to the exact opposite result.

Indeed, the difference in IPR and district court outcomes is evident even on an aggregate level. In IPRs, the invalidation rate for patent claims is "nearly 75%." Gregory Dolin, M.D., *Dubious Patent Reform*, 56 B.C. L. Rev. 881, 926 (2015). In district courts, the invalidation rate is only "about 46%"—and that includes claims invalidated for reasons not considered in IPRs (like indefiniteness). *Id.* at 927 Looking at only invalidity grounds available in IPRs (anticipation and obviousness), analyses suggest that only 28% of patents are invalidated in court proceedings. *Id.* Thus, the PTAB's review under the broadest-reasonable-interpretation standard balloons the invalidation rate nearly threefold, from about 28% to 75%.[3]

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[3] The PTAB's higher invalidation rate cannot be explained by the different standards of proof applied in the two forums (*i.e.*, clear and convincing evidence in district court litigation, and preponderance of the evidence in PTAB proceedings). *See* D. Schwartz & C. Seaman, *Standards of Proof in Civil Litigation: An Experiment from Patent Law*, 26 Harv. J. Law & Tech. 429, 459 (2013). While the more permissive standard could explain some increase in the invalidation rate (27% to 38%) as illustrated in that study, it is apparent that the broadest-reasonable-interpretation standard is the driving force behind the nearly tripled invalidation rate in IPR.

These forum-dependent outcomes destabilize the patent adjudication system. In a well-structured process, district courts and the PTAB could look to each other for guidance on the correct claim construction and validity determination, and patent holders could expect their property rights to mean the same thing wherever they were subject to review. Instead, under the Federal Circuit's rule, the two forums proceed on independent tracks, with all the possible inconsistency that entails. Even worse, the impulse to look to the other forum contaminates accurate analysis rather than aiding it, given that the two forums operate under different standards. *See, e.g.*, *ContentGuard Holdings*, 2015 WL 1289321, at *6 (bizarrely declaring that the PTAB's "prior construction is entitled to some deference," even though the PTAB was construing the patent under a different legal standard).

The bottom line is that a process that Congress created to simplify patent litigation has, under the broadest-reasonable-interpretation standard, quite compounded its confusion. The same patent can be read two different ways in two different places, and when a patent survives PTAB review, the district courts cannot even use the claim interpretation provided by the agency in their subsequent infringement cases. Absent some indication in the statute that Congress intended to undermine the goal of uniformity that it has pursued for decades in this area, *see Markman*, 517 U.S. at 390-91, this Court should not adopt a legal rule that sows uncertainty into the meaning and validity of even the most fully adjudicated and judicially approved patents.

B. Allowing different claim construction standards in IPR and district court invites gamesmanship that will thwart accurate and fair resolutions.

Perhaps worse than the foregoing, however, is the unfortunate incentive created by the IPR-only, broadest-reasonable-interpretation standard the PTAB and Federal Circuit have now adopted. By driving PTAB and district court cases apart, this rule removes one constraint on the parties to present fair, consistent arguments across both forums. It also removes an even more significant constraint: the fundamental principle that the claims should be construed the same way when it comes to assessing both the patent's validity and the question whether the accused products have actually infringed.

The patent system is founded on the principle that a patent claim has a fixed scope when analyzing *both* validity and infringement. This rule is critical because patent claiming should involve an inherent trade-off that keeps everybody honest: If you claim broadly, you will cover more practices but also more possible prior art, risking invalidity for stronger infringement claims; conversely, if you claim more narrowly, your patent is more likely to be valid but less likely to win in infringement suits. This central feature of the patent system's design is expressed in the ironic statement that "[t]he stronger a patent the weaker it is and the weaker a patent the stronger it is." Giles S. Rich, *The Proposed Patent Legislation: Some Comments*, 35 Geo. Wash. L. Rev. 641, 644 (1967) (emphasis omitted). And to enforce this principle, courts have time and again recognized that "claims must be interpreted and given the same

meaning for purposes of both validity and infringement analyses. 'A patent may not, like a "nose of wax," be twisted one way to avoid anticipation and another to find infringement.'" *Amazon.com v. Barnesandnoble.com*, 239 F.3d 1343, 1351 (Fed. Cir. 2001) (citation omitted) (quoting *Sterner Lighting, Inc. v. Allied Elec. Supply, Inc.*, 431 F.2d 539, 544 (5th Cir. 1970)).

This rule functions as an important constraint on the litigants: When they pick their positions on claim construction, they know that whatever they might advocate to try to save the patent from (or condemn it to) invalidity, they will be stuck with that same broader or narrower construction when it comes time for assessing infringement. And this, in turn, leads to more moderate and helpful arguments from both sides in *Markman* proceedings, where the lay judge is attempting to understand the meaning of the patent's claims to experts in the art with only the adverse litigants to guide them.

In violation of this settled principle, and spurred by the availability of two independent forums, parties attacking patents now can and do advocate inconsistent—even flatly contradictory—readings of the same claim. For instance, in *Research in Motion Corp. v. WI-LAN USA Inc.*, No. IPR2013-00126 (P.T.A.B. June 20, 2013), the patent challenger offered a broader claim construction in the IPR than in concurrent district court litigation. *See* Institution Decision at 12-13. Over the patent owner's objection, the PTAB adopted the challenger's construction, rejecting the notion "that [the IPR petitioner] should be estopped from arguing a claim interpretation that is different from what it has urged in parallel civil

litigation." *Id.* Indeed, some parties even expressly disclaim that the claim-construction argument they advance in an IPR or district court case will bind them in any other proceeding. *See, e.g.*, Petition for Inter Partes Review at 4, *LaRose Indus., LLC v. Capriola Corp.*, No. IPR2013-00120 (P.T.A.B. Jan. 23, 2013) ("It is noted that *this interpretation is applicable to the inter partes review sought herein only*, and should not be construed as constituting, in whole or in part, Petitioner's own interpretation of any claims for any other purposes, including any litigation. Accordingly, *Petitioner expressly reserves the right to present an interpretation of any claim term in other proceedings, which is different*, in whole or in part, from that presented in this Petition." (emphases added)). The challenger can thus attempt to construe the patent narrowly in district court to avoid infringement, and yet turn around and insist that the same words be read much more broadly in an IPR to try to make the patent invalid.

Amicus has been forced to defend against such chimerical claim-construction arguments. In one recent case, Canon, an accused infringer of *amicus*'s patents, argued in district court that certain claims were indefinite and therefore incapable of being given any claim construction at all. *See* Defendants Answering Claim Construction Brief at 3-11, *Intellectual Ventures I LLC v. Canon Inc.*, No. 13-473-SLR (D. Del. Nov. 14, 2014), ECF No. 231. Meanwhile, in its IPR petition, Canon advocated (definite) claim constructions. Petition at 6-8, *Canon Inc. v. Intellectual Ventures I LLC*, No. IPR2014-00757 (P.T.A.B. May 15, 2014). Those positions are flatly inconsistent—"[i]f a claim is indefinite, the

claim, by definition, cannot be construed," and the IPR should be declined or terminated. Institution Decision at 13, *Facebook, Inc. v. TLI Commc'ns LLC*, No. IPR2014-00566 (P.T.A.B. Sept. 15, 2014) (quoting *Enzo Biochem, Inc. v. Applera Corp.*, 599 F.3d 1325, 1332 (Fed. Cir. 2010)) (declining to institute IPR because of indefiniteness); Termination Order at 7-8, *Blackberry Corp. v. MobileMedia Ideas, LLC*, No. IPR2013-00036 (P.T.A.B. Mar. 7, 2014) (terminating IPR because of indefiniteness). Yet Canon was able to take both positions—manufacturing two chances to defeat the same patent—by virtue of the independent claim construction inquiries used in the PTAB and district court. Canon even expressly defended its inconsistent positions based on the difference in claim construction standards at issue in this case. *See* Hearing Tr. at 85, *Intellectual Ventures I LLC*, No. 13-473, ECF No. 258.

The reduced incentives for parties to play it straight under the two different claim-interpretation standards ends up muddying the waters when it comes to achieving accurate resolution of patent disputes. When parties must pick a single claim construction to defend on both infringement and validity grounds (including definiteness, anticipation, and obviousness), they aid the judge in reaching the most accurate claim construction. That's because each side has an incentive to advocate a Goldilocks construction: neither too broad, nor too narrow, but just right. Without that incentive firmly in place, the district court judge (who may lack any experience in the field of the invention) is left with no trustworthy guides in attempting to determine how practitioners in the art of the patent at issue would likely read the

claims. Parties become free to advocate unfairly broad or narrow claim constructions and devise strategies to unfairly take advantage of multiple opportunities to defeat or enforce a patent, and the judge is left to fend for herself. Eliminating the discrepancy in claim construction standards would restore the patent system to how it was meant to operate, and improve the integrity and accuracy of both the IPR and district court pathways of patent adjudication.

C. The gamesmanship invited by the Federal Circuit's rule asymmetrically disadvantages patent owners.

While the diminished accuracy and fairness of the Federal Circuit's rule hurts all parties in patent adjudications, patent owners in particular face disproportionate burdens under this flawed system. Most obviously, the discrepancy in claim construction standards favors patent challengers: In IPRs, where validity is the only issue on the table, the standard produces broader claims, which are more likely to be invalid; in litigation, where infringement is a central dispute, the standard produces narrower claims, which are less likely to be infringed. *See* Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for Its Money: Challenging Patents in the PTAB*, 91 Notre Dame L. Rev. 235, 288-89 (2015) ("[T]here is something unseemly about allowing a party to argue for a broad construction when it suits its interest in invalidating the patent, and then a narrower construction when the issue is its own infringement."). Under the Federal Circuit's rule, patent owners must fight uphill both ways on validity and infringement.

Moreover, opportunities to adopt shifting, inconsistent positions are plentiful for patent challengers but often foreclosed to patent owners. For instance, one recent district court decision restricted the patent owner to its claim construction from an IPR—it imposed a claim limitation solely because of the patent owner's previously taken position, even though "nothing in the specification" suggested that limitation. *See Cellular Comm'ns Equip. LLC v. HTC Corp.*, No. 6:13-CV-507, 2015 WL 3464733, at *5 (E.D. Tex. June 1, 2015). At the same time, the court permitted the patent challenger to adopt a new claim construction, holding that "[t]o whatever extent the petitioners in the IPR proceedings proposed constructions broader than what Defendants propose in the present litigation, the difference may be accounted for by the difference in claim construction standards between the two proceedings." *Id.* at *6 & n.3. Reinforcing the asymmetry, the statute specifically encourages parties to hold patent owners to their claim constructions, but imposes no such constraint on patent challengers. *See* 35 U.S.C. §301(a)(2) ("Any person at any time may cite to the Office in writing ... statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent."). That provision encouraging consistency from patent owners would enhance accuracy and fairness in patent disputes, if only the claim construction standards did not actively encourage patent owners' adversaries to adopt *inconsistent* claim constructions in response.

The asymmetric advantage for patent challengers in individual proceedings plays out on a larger scale too. While a patent owner will struggle to depart from the claim construction it proposed in the first proceeding in which it sought to defend or enforce its patent, patent challengers can modify their positions over an extended campaign to defeat a patent. A challenger, or a group of challengers working in tandem, can launch attack after attack on a patent in IPRs and court proceedings over many years, trying various claim constructions and strategies until one succeeds, while the patent owner remains fixed to his original position. If the standard were uniform, however, the resolution of these issues in the first case to present them—whether an IPR or a district court litigation—would anchor future litigation and provide some certainty to both sides about the scope of the relevant patent rights.

This is an unforced error that hurts no one more than the federal courts themselves. The adversary system works best when each party has an incentive to narrow their position and focus the issues for the court; it becomes enormously more difficult to find the right answer when the system itself incentivizes the parties to argue (in parallel, incompatible forums) the most extreme positions they can take. Allowing an accused infringer to argue that the patent should be read extremely narrowly to avoid infringement, secure in the knowledge that they can make their invalidity case under a much broader interpretation in IPR, leads only to confusion in the courts. Rejecting that position simply restores a natural balance to patent litigation that both helps judges better understand the patents before them, and

ensures that the patent grant is understood identically—and fairly—on both sides of the case.

II. The Federal Circuit's Rule Foreclosing Judicial Review Of All Issues Related to Institution Undermines Congress's Careful And Balanced Design For IPR.

As the Federal Circuit previously recognized, 35 U.S.C. §314(d) makes a decision whether to institute an IPR *unappealable* in the sense of precluding interlocutory review. *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375-76 (Fed. Cir. 2014)). In the decision below, however, the Federal Circuit reinterpreted Section 314(d)'s procedural rule to instead immunize all aspects of an institution decision from *any judicial review*, even when those issues are raised in appeals following final written decisions. *See* Pet. App. 7a. Under this interpretation, Section 314(d) bars judicial review even when the PTAB ignores plain statutory requirements by initiating an IPR and then ultimately invalidates a patent as a result. *Id.* at 9a, 11a. The startling breadth of this rule may not be evident in this case alone, but even limited experience confirms that it has in fact eviscerated a whole swath of the statutory restrictions that Congress placed upon IPR.

Indeed, since the decision below, the Federal Circuit has confirmed that essentially no statutory limit on the institution of IPR is safe from its rule. In a subsequent decision, it clarified that it will treat an issue as unreviewable, "*even* if [that issue] is reconsidered during the merits phase of proceedings and restated as part of the Board's final written

decision," so long as it was part of the institution decision. *Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015). In other words, any "issue relating to institution" is now completely beyond judicial review. *Synopsys, Inc. v. Mentor Graphics Corp.*, No. 2014-1516, 2016 WL 520236, at *3 n.4 (Fed. Cir. Feb. 10, 2016).[4]

As Petitioner explains (at 48-53), this interpretation of Section 314(d) is inconsistent with both the text and the "strong presumption that Congress intends judicial review of administrative action," *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986). Congress clearly did not mean for Section 314(d) to immunize non-compliance with Congress's own carefully crafted requirements from any judicial review. *See* Petr. Br. 49-51.

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[4] The Federal Circuit recognized an exception when interpreting the identically worded appealability provision that governs so-called "covered business method review" (CBMR), 35 U.S.C. § 324(e). *See Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1320 (Fed. Cir. 2015). There, it interpreted the provision to permit judicial review of "whether the PTAB exceeded statutory limits on its authority to invalidate" a patent because the patent did not in fact embody a covered business method. *Id.* at 1319.

Despite the similar language, the Federal Circuit later held that this exception "is limited to the unique circumstances of CBMR." *Achates*, 803 F.3d at 657. And even if this enigmatic exception did apply to IPR, the Federal Circuit has held that it does not provide for judicial review regarding compliance with all statutory requirements. *See id.* at 657-58 (holding that a statutory time bar is not the type of statutory requirement for which *Versata* would permit review). The unintelligibility of the sole exception the Federal Circuit has announced is, if anything, proof of the unsoundness of the rule.

Nevertheless, the error of the Federal Circuit's rule becomes far more clear when one considers the full scope the Federal Circuit has already given it. In fact, a whole host of statutory requirements could fall (and have already fallen) by the wayside under the PTAB's unsupervised administration of the IPR process. In addition, petitioners—emboldened by the prospect that if a PTAB panel overlooks a procedural error, the patent owner has no recourse—now can and do routinely attempt to evade statutory requirements by filing petition after petition until any given PTAB panel takes the bait. The unreviewability rule thus undermines the integrity of the statutory scheme and threatens to distort the IPR process into an inefficient, unpredictable free-for-all.

A. The Federal Circuit's rule permits the PTAB to ignore a large set of statutory requirements.

Within the broad set of issues that the Federal Circuit's rule makes unreviewable, the particular challenge at issue in this case—whether the PTAB may institute review on grounds not presented in the petition—represents just the tip of the iceberg.

Congress imposed an array of statutory requirements to govern when and how IPRs may be instituted. Under the Federal Circuit's rule, the PTAB is left to its own devices when applying (or not) requirements such as the following:

- *Earliest possible timing*: "A petition for inter partes review shall be filed after the later of either" 9 months after the patent is granted or the termination of a post-grant review. 35 U.S.C. §311(c).

- *Petition requirements*: "A petition filed under section 311 may be considered only if (1) the petition is accompanied by payment of the fee established by the Director ...; (2) the petition identifies all real parties in interest; (3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim ...; (4) the petition provides such other information as the Director may require by regulation; and (5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner." *Id.* §312(a).
- *Time bar for earlier-filed civil action*: "An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent." *Id.* §315(a)(1).
- *Time bar for infringement defendants*: "An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent." *Id.* §315(b).
- *Joinder limitation*: "If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who" files a petition

meeting the standard for granting review. *Id.* §315(c).

- *Estoppel*: "The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review," nor in a civil action or proceeding before the International Trade Commission. *Id.* §315(e).

These requirements impose plain, mandatory restrictions on the PTAB and parties. Many of them make clear that there are circumstances under which a case cannot be instituted because it is out of time, covered by an estoppel bar, brought by a privy of a barred party, or associated with an incomplete or legally insufficient petition. Yet under the Federal Circuit's rule, the PTAB may disregard any requirement or overlook any violation by a party, institute the IPR, and place the issue entirely beyond the reach of any court. The Federal Circuit's rule thus gives these plain statutory commands only hortatory effect; they become guidelines for the agency to follow only when it feels like it.

Already, the Federal Circuit has applied this rule to insulate from review PTAB rulings under statutory requirements far removed from the ones at issue in this case. For instance, the court has recently held that its interpretation of Section 314(d) makes the time-bar provision in Section 315(b) off-limits to judicial review. *See Achates*, 803 F.3d at

658. The Federal Circuit explained that its interpretation of Section 314(d) immunizes from judicial review all "decisions concerning the § 315(b) time bar, including determinations of the real party in interest and rulings on discovery related to such determinations." *Synopsys*, 2016 WL 520236, at *11; *see also Achates*, 803 F.3d at 658. That is, any legal or factual issue arising from the PTAB's application of the time bar is now unreviewable.

One recent case under this time-bar provision illustrates how the Federal Circuit's rule renders unmistakable statutory barriers into unenforceable swinging doors. In *Click-to-Call Technologies, LP v. Oracle Corp.*, 622 F. App'x 907 (Fed. Cir. 2015) (per curiam), the petitioner was sued for infringement more than one year before its petition. Institution Decision at 15, *Oracle Corp. v. Click-to-Call Techs. LP*, No. IPR2013-00312 (P.T.A.B. Oct. 30, 2013). Despite Section 315(b)'s requirement that an IPR "may not be instituted" if the petitioner was "served with a complaint alleging infringement" more than a year before the petition, the PTAB instituted anyway. *Id.* at 17 The panel noted that the civil action had eventually been dismissed without prejudice, and it held that the dismissal "nullifie[d] the effect" of the complaint served more than a year before the IPR petition was filed. *Id.* The Federal Circuit dismissed the patent owner's appeal from the final written decision, holding that Section 314(d) precluded judicial review of the time-bar provision, holding that the PTAB's disregard for the statutory text "amounts to a 'statutory interpretation dispute,'" that the court was powerless to review. 622 F. App'x at 908.

This is an utterly bizarre result. Under the core principles of administrative law, Congress places matters in the sole discretion of the agency when it does *not* provide a clear standard to govern a particular aspect of agency decisionmaking, or if it expresses a clear intent to preclude judicial review. *See* 5 U.S.C. §701(a); *Citizens to Pres. Overton Park, Inc. v. Volpe*, 401 U.S. 402, 410 (1971) (exception to judicial review applies in "rare instances" where there is "no law to apply" (citation omitted)). But on the Federal Circuit's view here, Congress provided for federal court review of final IPR decisions and created a set of clear statutory rules governing when IPRs were appropriate, and nonetheless intended that the agency alone would be charged with bearing those rules in mind. If Congress intended to make the decision to institute the IPR temporarily *unappealable*, the language it chose makes perfect sense; if it intended to make every statutory bar in the statute unreviewable, it could hardly have written the statute any worse.

Indeed, as the time-bar decisions demonstrate, the destructive effect of the Federal Circuit's reading of Section 314(d) will spread throughout the many statutory requirements governing IPR petitions and institution. The time-bar provision, like the other requirements, "is an essential part of the AIA structure" that preserves the fairness, orderliness, and efficiency of the IPR system. *Synopsys*, 2016 WL 520236, at *27 (Newman, J., dissenting). Under a rule that denies judicial review to "issues material to statutory compliance—issues of privity, standing, and jurisdiction," *id.*, IPRs may depart drastically from the features and safeguards Congress designed.

Congress did not impose those safeguards for fun; they were meant to have teeth, and the courts should ensure that they have them.

B. Foreclosing judicial review encourages gamesmanship in IPR petitions and undermines the fairness and efficiency of the system.

The absence of judicial review encourages the PTAB and parties to undermine the design of the IPR process. In particular, patent challengers are now incentivized to devise new strategies to push the envelope of petition and initiation requirements, knowing that if any given PTAB panel accepts their theory, the decision is irreversible. Indeed, petitioners have already begun to deploy new end-runs around statutory requirements, and PTAB panels have already accepted some of these attempts by crafting novel legal theories and overlooking factual issues—all without any oversight from the Federal Circuit.

For instance, in *Synopsys*, 2016 WL 520236, the petitioner faced the Section 315(b) time bar, which applies even if the "real party in interest, or privy of the petitioner," rather than the petitioner itself, was sued for infringement. 35 U.S.C. §315(b). The petitioner in *Synopsys* filed an IPR petition, then one day later acquired a company that had been sued more than a year earlier for infringing the patent. *See* Preliminary Response by Patent Owner at 3-4 & n.2, *Synopsys, Inc. v. Mentor Graphics Corp.*, No. IPR2012-00042 (P.T.A.B. Dec. 28, 2012). A panel of the PTAB endorsed the petitioner's theory that the acquired company was not the real party in interest

or the petitioner's privy, applying the formalistic analysis that "it is only relationships up until the time a petition is filed that matter." Final Written Decision at 12, 15, *Synopsys (IPR)* (P.T.A.B. Feb. 19, 2014). The Federal Circuit refused to review that analysis. *Synopsys*, 2016 WL 520236, at *11.

Synopsys is just one example of how petitioners and the PTAB have developed novel legal theories for circumventing limitations on petitions. Another remarkable example is *Target Corp. v. Destination Maternity Corp.*, No. IPR2014-00508 (P.T.A.B. Feb. 12, 2015), where the PTAB permitted a petitioner to avoid the time bar by moving for "joinder" of a new petition raising new issues to *that petitioner's own previously filed IPR*. *Compare* 35 U.S.C. §315(c) (allowing Director to "join *as a party*" those who meet certain standards (emphasis added)), *with* Decision Granting Petitioner's Request for Rehearing at 13, *Target* (P.T.A.B. Feb. 12, 2015). In such cases, PTAB panels have consistently selected the statutory construction that aggrandizes the PTAB's "discretion to move forward ... where a petitioner ... may not bring a ... petition because of a § 315(b) bar." *Id.* at 13. Other, similar cases reflect analogous attempts to circumvent limitations on factual and procedural grounds. *See, e.g.*, *Achates*, 803 F.3d at 658 (holding unreviewable the PTAB panel's conclusion that there was insufficient evidence of a privity relationship under Section 315(b), and the panel's refusal to permit discovery into that relationship); *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 2015-1091, 2015 WL 7755665, at *3 (Fed. Cir. Dec. 2, 2015) (holding unreviewable the PTAB's determination that "MCM does not provide persuasive evidence that HP

and Pandigital are privies for purposes of §315(b)," Institution Decision at 7, *Hewlett-Packard Co. v. MCM Portfolio, LLC*, No. IPR2013-00217 (P.T.A.B. Sept. 10, 2013)).

These examples reflect two ways in which the unreviewability rule invites a swell of IPR petitions pushing against statutory limitations. First, they demonstrate that certain statutory restrictions—namely, Section 315(b)'s time limits and provisions governing privies and real parties in interest—have already been loosened in the absence of judicial review. Second, they reflect how petitioners can successfully avoid statutory limitations with a novel theory, so long as a single PTAB panel accepts it. That is particularly so because (as the foregoing cases demonstrate) the PTAB routinely denies even the most minor discovery requests that might allow an IPR defendant to demonstrate the existence of a privity relationship for purposes of the time bar. Essentially, patent challengers know that the PTAB is likely to miss or ignore a privity relationship, and no court will ever do anything about it.

There is every reason to believe that, emboldened by the unreviewability rule and these early successes, patent challengers will file serial IPR petitions even more frequently. Already, there is little to prevent patent challengers from filing multiple petitions against the same patent claims (that is, besides the now-unenforceable timing and estoppel bars—when they even apply). *Cf.* Institution Decision at 17, *LaRose Indus., LLC v. Capriola Corp.*, No. IPR2013-00121 (P.T.A.B. June 28, 2013) (explaining that the PTAB does not prohibit "filing multiple petitions advocating multiple grounds of unpatentability

against the claims of a patent"). Indeed, for *amicus*, it is not uncommon to face many simultaneous petitions on a single patent. *See, e.g.*, Patent Owner's Preliminary Response at 10-11, *Int'l Bus. Machs. Corp. v. Intellectual Ventures II LLC*, No. IPR2015-01322 (P.T.A.B. Sept. 11, 2015) (listing seven petitions pending on one of *amicus*'s patents). In addition, inconsistency among PTAB panels confirms the attractiveness of this strategy for patent challengers—file enough petitions and eventually one panel may bite. *Compare, e.g.*, Decision Denying Institution at 3, *Target* (P.T.A.B. Sept. 25, 2014) (finding the petition time barred), *with* Decision Granting Petitioner's Request for Rehearing at 13, *Target* (P.T.A.B. Feb. 12, 2015) (reaching the opposite conclusion).

The loosened restrictions on petitions and institution, and the knowledge that once a decision to institute is made it becomes judicially irreversible, will also elicit even more IPR petitions from non-traditional entities. For example, patent challengers can form joint patent-defense groups that file serial petitions against a patent but obscure privity relationships and real parties in interest through a multiplicity of parties. *See, e.g.*, Decision Denying Patent Owner's Motion for Additional Discovery, *Int'l Bus. Machs. Corp.* (P.T.A.B. Sept. 24, 2015) (refusing *amicus*'s motion for discovery into privity relationship between petitioner and members of a joint patent-defense group). Petitions for IPR—or threats to file petitions—have even been used by a new set of entities to affect patent owners' stock prices and to solicit payments or settlements from patent owners. *See* Dreyfuss, *Giving the Federal*

Circuit a Run for Its Money, 91 Notre Dame L. Rev. at 284-85 & nn.315-16.

The cumulative result of the unreviewability of petition and institution issues will be to undermine the integrity of the IPR system. A swell of IPR petitions will bog the system down with inefficient and duplicative proceedings. These effects will be particularly unfair to patent owners, whose patents will be constantly under attack. When errors related to initiation occur, the patent holder will never have a chance to push back. And the heightened incentive for serial petitions leads to dramatic uncertainty about the value of a patent right, even if IPR petitions on the same patent have been denied institution again and again.

Once again, these are simple, unforced errors created by misreading Congress's evident intent. The judicially enforceable requirements of Section 315, including its timing and estoppel bars, exist to provide reasonable certainty that patents that have been successfully asserted and validated in litigation will not be subjected to unending, serial, collateral attacks in the Patent Office by the defendant—or its privies, allies, and hired guns—bringing duplicative IPR petitions for years on end. When those provisions are enforced in a uniform manner by the Federal Circuit, the statutory regime achieves a balance where IPR functions as an alternative pathway for invalidating meritless patents, and not as an opportunity to game the system for defendants who have long since lost an infringement suit regarding a meritorious invention. But the Federal Circuit's abdication of its role in the system creates the opposite result—turning IPRs into a kind of Wild

West system of patent invalidation where no patent or district court victory is ever truly safe.

In this instance, restoring a basic semblance of fairness and balance to the patent system requires nothing more than a willingness to enforce the clear statutory commands that Congress incorporated in the Act. This Court should do so, and reverse.

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be reversed.

Respectfully submitted,

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